



Farm Service Agency

Dear Producer:

May 3, 2004

This letter provides you two options by which you can resolve a potential refund of counter-cyclical payments you may owe the Commodity Credit Corporation (CCC) under the 2003 Direct and Counter-Cyclical Program (DCP).

Under the 2003 DCP, you received advance counter-cyclical payments. In accordance with section 1104 of the Farm Security and Rural Investment Act of 2002, when you signed the DCP contract you agreed to refund any advance counter-cyclical payments you receive which exceed the amount actually earned under this contract. Under the options presented in this letter, you may write a check to CCC anytime after the amount of the overpayment has been determined.

CCC issues advance counter-cyclical program payments when the target price for the commodity exceeds the projected effective price. The effective price equals the direct payment rate plus the higher of the national average price received by producers during the 12-month marketing year or the loan rate. CCC issued first-advance counter-cyclical payments for wheat, corn, sorghum, cotton, rice, and peanuts in October 2003. CCC issued second-advance payments for rice and peanuts in February 2004. Advance counter-cyclical payments were not issued for soybeans, barley, oats, and oilseeds.

If market prices continue near current levels, you may be required to refund all or a portion of the 2003 counter-cyclical payments you received for some crops. Final counter-cyclical payment rates will be calculated, and the amount you will be required to refund, if any, will be determined, according to this schedule: July 2004 for wheat; September 2004 for peanuts; October 2004 for corn, sorghum and upland cotton; and February 2005 for rice.

REFUND OPTION 1: CCC will automatically reduce any DCP payments you receive between October 2004 and March 2005 to satisfy your obligation to repay the unearned 2003-crop advance counter-cyclical payments. Scheduled payments you may receive during this period include 2004-crop final direct payments, 2004-crop advance counter-cyclical payments, and 2005-crop advance direct payments.

This method offers many advantages: (1) you need not take any action--the FSA Service Center will automatically take deductions from future DCP payments; (2) you will not have to write a check to CCC to satisfy this obligation; (3) you will not be charged interest for the obligation automatically deducted between October 2004 and March 2005; and (4) when the payment reduction is made, you will receive a statement showing the amount reduced to satisfy the counter-cyclical overpayment. If you will not be earning DCP payments during this time or your DCP payments are insufficient to repay the total unearned advances, CCC will notify you in April 2005 that the refunds will be collected using the procedures established under the Debt Collection Improvement Act of 1996. **If you are satisfied with the convenience of REFUND OPTION 1, you do not need to take any action.**

REFUND OPTION 2: If you elect not to use the above method, notify the FSA Service Center(s) that issued the payments that you wish to repay your unearned counter-cyclical payments by following procedures under the Debt Collection Improvement Act of 1996 (DCIA). Under DCIA, you will be sent an initial notification following the end of each crop's marketing year that will inform you of the specific amount of the debt, followed by a first demand letter approximately 30 days later. At that time, you may settle the debt by writing a check to CCC. If you have not sent CCC a check within 30 days, you will receive a second demand letter. Interest will begin to accrue from the date of the first demand letter and CCC will offset any subsequent CCC payment or commodity loan you receive to settle any unearned payments. **Please inform your FSA Service Center by June 15, 2004, if you wish to use REFUND OPTION 2 instead of the automatic reduction explained in REFUND OPTION 1.**

Again, if you wish to use Option 1, no action is required. You can get additional information concerning these options by visiting our Frequently Asked Questions (FAQ) at <http://www.fsa.usda.gov/pas/farmbill/default.asp>.

Sincerely,

John A. Johnson
Deputy Administrator for Farm Programs